

**Town of Richwood
Richwood, Louisiana
Annual Financial Report
As of and for the Year Ended June 30, 2007**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

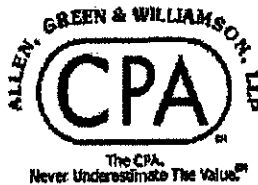
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**Town of Richwood
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INDEPENDENT AUDITORS' REPORT

Honorable Edward L. Harris, Mayor,
and Members of the Board of Aldermen
Town of Richwood
Richwood, Louisiana

Basic Financial Statements We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of Richwood as of and for the year ended June 30, 2007, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated October 30, 2007, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Required Supplemental Information The Management's Discussion and Analysis as listed in the table of contents, is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Supplemental Information Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The accompanying supplemental information identified in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Information Also, the accompanying other information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements of the Town. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

allen, Green + Williamson, LLP

ALLEN, GREEN & WILLIAMSON, LLP

Monroe, Louisiana
October 30, 2007

REQUIRED SUPPLEMENTAL INFORMATION:

**MANAGEMENT'S DISCUSSION
AND ANALYSIS (MD&A)**

Town of Richwood
Management's Discussion and Analysis (MD&A)

Our discussion and analysis of the Town of Richwood's financial performance provides an overview of the Town's financial activities for the fiscal year ended June 30, 2007.

The Management's Discussion and Analysis (MD&A) is an element of the new reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments issued June 1999.

FINANCIAL HIGHLIGHTS Our financial statements provide these insights into the results of this year's operations:

Governmental activities reported an increase in net assets of \$371,916 whereas business-type activities reported a decrease of \$126,372.

Total spending for our governmental activities was \$1,111,329. Most of the Town's charitable gaming (video bingo), property taxes, and sales taxes were used to support the net cost (after deducting restricted grants and fees charged to users) of these two areas: general and administrative of \$595,739 and police department of \$405,744.

The General Fund had a net increase of \$259,669 in fund balance for 2007 as compared to a net increase in 2006 of \$147,767. Revenues increased in 2007 by \$510,397 which is an 80% increase over 2006 revenues. This substantial increase is due to revenue from charitable gaming (video bingo) which the Town began to receive in October, 2006.

Expenditures in the General Fund for 2007 increased by \$237,752, which is a 32% increase. This is due mainly to an increase in salaries for employees, increased spending for capital outlay, and the payment of debt.

Revenues for the Summer Feeding Fund decrease \$67,260 due to the Town not sponsoring the program in 2007. Expenditures for the fund decrease \$42,817 due to the program not being sponsored in 2007. Fund balance for the Summer Feeding Fund was a deficit of \$18,389 at year end.

The Maintenance Fund has an increase in revenue of \$17,974 or 15% from 2006. This was due to an increase in state grant revenues. Expenditures increased in 2007 by \$21,307 or 22% due to an increase in spending for general and administrative expenses. Fund balance for the Maintenance Fund was a deficit of \$12,019 at year end.

USING THIS ANNUAL REPORT

The Town's annual report consists of a series of financial statements that show information for the Town as a whole, and its funds. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Town as a whole and present a longer-term view of the Town's finances. For our governmental activities, the fund financial statements tell how we financed our services in the short-term as well as what remains for future spending. Fund statements also may give you some insights into the Town's overall financial health. Fund financial statements also report the Town's operations in more detail than the government-wide financial statements by providing information about the Town's most significant funds - the general fund, summer feeding, maintenance, and the Sewer Enterprise Fund.

The following chart reflects the information included in this annual report.

**Town of Richwood
Management's Discussion and Analysis (MD&A)**

Financial Section

Required Supplemental Information

Management's Discussion & Analysis (MD&A)

Basic Financial Statements

Government-wide
Financial Statements

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Fund
Financial Statements

Notes to the Basic Financial Statements

Supplemental Information

Schedule of Compensation Paid Mayor and Aldermen

Other Reports Required by Government Auditing Standards

Other Information

Summary Schedule of Prior Audit Findings
Corrective Action Plan for Current Year Findings

Management Letter

Our auditor has provided assurance in the independent auditor's report, located immediately preceding this Management's Discussion and Analysis, that the Basic Financial Statements are fairly stated. Varying degrees of assurance are being provided by the auditor regarding the Required Supplemental Information, the Supplemental Information and Other Information identified above. A user of this report should read the independent auditor's report carefully to ascertain the level of assurance being provided for each of the other parts of this report.

Town of Richwood
Management's Discussion and Analysis (MD&A)

Reporting the Town as a Whole

The Statement of Net Assets and the Statement of Activities

Our analysis of the Town as a whole begins with the government-wide financial statements. One of the most important questions asked about the Town's finances is, "Is the Town as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities, which appear first in the Town's financial statements, report information about the Town as a whole and its activities in a way that helps answer this question. We prepare these statements to include all assets and liabilities, using the accrual basis of accounting which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Town's net assets – the difference between assets and liabilities, as reported in the Statement of Net Assets – as one way to measure the Town's financial health, or financial position. Over time, increases or decreases in the Town's net assets – as reported in the Statement of Activities – are one indicator of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the Town's operating results. However, the Town's goal is to provide services to our citizens, not to generate profits as commercial entities do. One must consider other nonfinancial factors, such as the quality of police protection, the conditions of the Town's roads, and the quality of water, sewer and sanitation systems to assess the overall health of the Town.

In the Statement of Net Assets and the Statement of Activities, we divide the Town into two kinds of activities:

Governmental Activities - Most of the Town's basic services are reported here, including the police and general administration, property taxes, franchise fees, licenses and fees, fines and forfeitures, and state and federal grants finance most of these activities.

Business-type Activities - The Town charges a fee to customers to help it cover all or most of the cost of certain services it provides. The Town's sewer and sanitation systems are reported here.

Reporting the Town's Most Significant Funds

Fund Financial Statements

The Town's fund financial statements provide detailed information about the most significant funds – not the Town as a whole. Some funds are required to be established by State law. However, the Town establishes other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The Town's two kinds of funds – governmental and proprietary – use different accounting approaches:

Governmental funds – Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year-end that are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Town's operations and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. We describe the relationship (or differences) between governmental activities (reported in the

Town of Richwood
Management's Discussion and Analysis (MD&A)

Statement of Net Assets and the Statement of Activities) and governmental funds in the reconciliations (Statements D and F).

Proprietary funds - When the Town charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the Town's utility enterprise fund (a component of proprietary funds) are the same as business-type activities we report in the government-wide financial statements but provide more detail and additional information, such as cash flows, for proprietary funds.

THE TOWN AS A WHOLE

Our analysis below focuses on the net assets (Table 1) and changes in net assets (Table 2) of the Town's governmental and business-type activities.

Table 1
Net Assets
June 30,

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Current and other assets	\$248,601	\$ 44,658	\$ 22,041	\$ 18,321	\$ 270,642	\$ 62,979
Capital assets	<u>274,823</u>	<u>203,239</u>	<u>712,170</u>	<u>748,909</u>	<u>986,993</u>	<u>952,148</u>
Total assets	<u>523,424</u>	<u>247,897</u>	<u>734,211</u>	<u>767,230</u>	<u>1,257,635</u>	<u>1,015,127</u>
Current and other liabilities	122,396	200,103	619,423	508,972	741,819	709,075
Long-term liabilities	<u>130,000</u>	<u>162,489</u>	<u>194,146</u>	<u>211,244</u>	<u>324,146</u>	<u>373,733</u>
Total liabilities	<u>252,396</u>	<u>362,592</u>	<u>813,569</u>	<u>720,216</u>	<u>1,065,965</u>	<u>1,082,808</u>
Net assets						
Invested in capital assets, net of debt	274,823	190,750	518,024	537,665	792,847	728,415
Unrestricted	<u>(3,795)</u>	<u>(305,445)</u>	<u>(597,382)</u>	<u>(490,651)</u>	<u>(601,177)</u>	<u>(796,096)</u>
Total net assets	<u>\$271,028</u>	<u>\$ (114,695)</u>	<u>\$ (79,358)</u>	<u>\$ 47,014</u>	<u>\$ 191,670</u>	<u>\$ (67,681)</u>

The net assets of the Town's governmental activities increased by \$371,916 during 2007. Unrestricted net assets (the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements) were \$(3,795) at the end of this year.

The net assets of our business-type activities decreased \$126,372 in 2007.

Town of Richwood
Management's Discussion and Analysis (MD&A)

Table 2
Changes in Net Assets
For the Years Ended June 30,

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Revenues:						
Program revenues						
Charges for services	\$ 0	\$ 0	\$232,891	\$288,631	\$ 232,891	\$ 288,631
Operating grants and contributions	77,498	67,260	0	0	77,498	67,260
General revenues						
Property taxes	61,241	50,789	0	0	61,241	50,789
Sales tax	183,135	167,899	0	0	183,135	167,899
Charitable gaming funds	576,946	0			576,946	0
State revenue	139,644	225,739	0	0	139,644	225,739
Beer tax	8,171	6,326	0	0	8,171	6,326
Licenses and permits	68,228	40,696	0	0	68,228	40,696
Garbage & Other Fees	122,708	121,583	0	0	122,708	121,583
Miscellaneous	<u>151,626</u>	<u>115,384</u>	<u>0</u>	<u>0</u>	<u>151,626</u>	<u>115,384</u>
Total Revenues	<u>1,389,197</u>	<u>795,676</u>	<u>232,891</u>	<u>288,631</u>	<u>1,622,088</u>	<u>1,084,307</u>
Functions/Program Expenses:						
Governmental Activities						
General and administrative	673,237	457,684	0	0	673,237	457,684
Police Department	405,744	322,801	0	0	405,744	322,801
Health & Welfare	14,443	57,260	0	0	14,443	57,260
Interest Expense	17,905	14,194	0	0	17,905	14,194
Business-type Activities						
Utility Enterprise	<u>0</u>	<u>0</u>	<u>265,215</u>	<u>228,696</u>	<u>265,215</u>	<u>228,696</u>
Total Functions/Program Expenses	<u>1,111,329</u>	<u>851,939</u>	<u>265,215</u>	<u>228,696</u>	<u>1,376,544</u>	<u>1,080,635</u>
Increase (decrease) in net assets before transfers	277,868	(56,263)	(32,324)	59,935	245,544	3,672
Transfers	<u>94,048</u>	<u>93,565</u>	<u>(94,048)</u>	<u>(93,565)</u>	<u>0</u>	<u>0</u>
Increase (decrease) in net assets	371,916	37,302	(126,372)	(33,630)	245,544	3,672
Net assets – beginning, as originally stated	(114,695)	(186,558)	47,014	80,644	(67,681)	(105,914)
Prior period adjustment	<u>13,807</u>	<u>34,561</u>	<u>0</u>	<u>0</u>	<u>13,807</u>	<u>34,561</u>
Net assets-beginning as restated	(100,888)	(151,997)	47,014	80,644	(53,874)	(71,353)
Net assets, ending	<u>\$ 271,028</u>	<u>\$(114,695)</u>	<u>\$ (79,358)</u>	<u>\$ 47,014</u>	<u>\$ 191,670</u>	<u>\$(67,681)</u>

Town of Richwood
Management's Discussion and Analysis (MD&A)

Governmental Activities

The cost of all governmental activities this year was \$1,111,329. However, as shown in the Statement of Activities, the amount that our taxpayers ultimately financed for these activities through town taxes was only \$1,033,831 because some of the cost was paid by those who directly benefited from the programs or by other governments and organizations that subsidized certain programs with grants and contributions. Transfers from the Sewer Enterprise Fund of \$94,048 accounted for a significant part of the remaining revenue.

Business-type Activities

Revenues of the Town's business-type activities (see Table 2) decreased by 19% (\$232,891 in 2007 compared to \$288,631 in 2006) and expenses increased by 16% (\$265,215 in 2007 compared to \$228,696 in 2006). These changes were due mainly to a decrease in sewer fees and an increase in cost of services from 2006.

THE TOWN'S FUNDS

As the Town completed the year, its governmental funds reported a combined fund balance of \$130,105 which is an increase of \$285,550 in fund balance from last year. This increase is due mainly to charitable gaming revenue (video bingo).

GENERAL FUND BUDGETARY HIGHLIGHTS

Actual expenditures exceeded budgeted expenditures by \$80,342 or 9%. Several expenditures reflected significant variances from the budgeted amount including debt payments for principal and interest along with transfers out which were not budgeted.

The budgeted revenues increased approximately \$70,000 between the original and final budget due to the increase in projected video bingo income and the decrease in transfers from other funds. However, the budgeted expenditures remained fairly the same between the original and final budget.

CAPITAL ASSET

Capital Assets At June 30, the Town had invested in the following capital assets; net of accumulated depreciation:

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Land	\$ 95,000	\$ 95,000	\$ 0	\$ 0	\$ 95,000	\$ 95,000
Park Improvements	73,446	0	0	0	73,446	0
Buildings	56,240	59,200	0	0	56,240	59,200
Sewer System	0	0	712,170	748,909	712,170	748,909
Furniture and equipment	37,591	33,014	0	0	37,591	33,014
Vehicles	12,546	16,025	0	0	12,546	16,025
Totals	<u>\$274,823</u>	<u>\$203,239</u>	<u>\$712,170</u>	<u>\$748,909</u>	<u>\$986,993</u>	<u>\$952,148</u>

See Note 7 for information on capital assets.

Town of Richwood
Management's Discussion and Analysis (MD&A)

DEBT ADMINISTRATION At June 30, 2007, the Town had \$130,000 in certificate of indebtedness outstanding in the Governmental Funds. The Enterprise-Sewer Fund had outstanding bonds payable of \$194,146. More information is presented on long-term debt in Note 9 of the Notes to the Basic Financial Statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS Our elected and appointed officials and citizens consider many factors when setting the Town's budget and tax rates. One of the most important factors affecting the budget is our charitable gaming (video bingo) collections which is 42% of revenue in the Governmental funds. We have budgeted very little change in revenues for the year ending June 30, 2008.

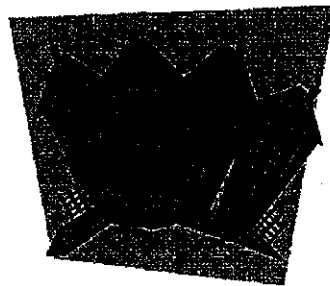
CONTACTING THE TOWN'S FINANCIAL MANAGEMENT Our financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have questions about this report or wish to request additional financial information, contact Charissa A. Holmes, Clerk, at the Town of Richwood, 5130 Brown Road, Richwood, Louisiana 71202-7004, telephone number (318) 322-2104.

Town of Richwood

BASIC FINANCIAL STATEMENTS:

**GOVERNMENT-WIDE
FINANCIAL STATEMENTS (GWFS)**

Town of Richwood



TOWN OF RICHWOOD
STATEMENT OF NET ASSETS
June 30, 2007

Statement A

	<u>GOVERNMENTAL</u> <u>ACTIVITIES</u>	<u>BUSINESS-TYPE</u> <u>ACTIVITIES</u>	<u>TOTAL</u>
ASSETS			
Cash and cash equivalents	200,887	1,214	202,101
Receivables (net)	45,062	23,479	68,541
Internal balances	2,652	(2,652)	0
Land	95,000	0	95,000
Capital assets, net	<u>179,823</u>	<u>712,170</u>	<u>891,993</u>
TOTAL ASSETS	<u>523,424</u>	<u>734,211</u>	<u>1,257,635</u>
LIABILITIES			
Accounts, salaries and other payables	118,496	613,474	731,970
Interest payable	3,900	5,949	9,849
Long term liabilities			
Due within one year	15,000	18,226	33,226
Due in more than one year	<u>115,000</u>	<u>175,920</u>	<u>290,920</u>
TOTAL LIABILITIES	<u>252,396</u>	<u>813,569</u>	<u>1,065,965</u>
NET ASSETS			
Invested in capital assets, net of related debt	274,823	518,024	792,847
Unrestricted	<u>(3,795)</u>	<u>(597,382)</u>	<u>(601,177)</u>
TOTAL NET ASSETS	<u>\$ 271,028</u>	<u>\$ (79,358)</u>	<u>\$ 191,670</u>

THE NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

TOWN OF RICHWOOD
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2007

FUNCTIONS/PROGRAMS	PROGRAM REVENUES		
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS
Governmental Activities:			
General and administrative	\$ 673,237	\$ 0	\$ 77,498
Police Department	405,744	0	0
Health and welfare	14,443		0
Interest expense	17,905		
Total Governmental Activities	<u>1,111,329</u>	<u>0</u>	<u>77,498</u>
Business-Type Activities:			
Utility Enterprise	265,215	232,891	0
Total Business-Type Activities	<u>265,215</u>	<u>232,891</u>	<u>0</u>
Total	<u>\$ 1,376,544</u>	<u>\$ 232,891</u>	<u>\$ 77,498</u>

General revenues:

Taxes:

Property taxes, levied for general purposes
Sales tax revenue
State revenue
Beer tax
Franchise tax
Charitable gaming funds
Licenses and permits
Sewer, garbage and other fees
Fines and forfeitures
Miscellaneous

Transfers

Total general revenues and transfers

Changes in net assets

Net assets - beginning, as originally stated

Prior period adjustment

Net assets - beginning, as restated

Net assets - ending

THE NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

Statement B

PRIMARY GOVERNMENTNET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS

<u>Governmental</u>	<u>Business-Type</u>	
<u>Activities</u>	<u>Activities</u>	<u>TOTAL</u>

\$ (595,739)	\$ 0	\$ (595,739)
(405,744)		(405,744)
(14,443)		(14,443)
(17,905)		(17,905)
<u>(1,033,831)</u>	<u>0</u>	<u>(1,033,831)</u>

	(32,324)	(32,324)
	(32,324)	(32,324)
<u>(1,033,831)</u>	<u>(32,324)</u>	<u>(1,066,155)</u>

61,241		61,241
183,135		183,135
139,644		139,644
8,171		8,171
57,350		57,350
576,946		576,946
68,228		68,228
122,708		122,708
69,163		69,163
25,113		25,113
<u>94,048</u>	<u>(94,048)</u>	<u>0</u>
<u>1,405,747</u>	<u>(94,048)</u>	<u>1,311,699</u>

<u>371,916</u>	<u>(126,372)</u>	<u>245,544</u>
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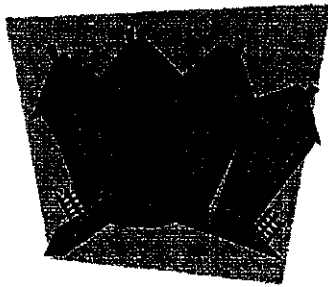
(114,695)	47,014	(67,681)
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<u>13,807</u>	<u>0</u>	<u>13,807</u>
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<u>(100,888)</u>	<u>47,014</u>	<u>(53,874)</u>
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\$ <u>271,028</u>	\$ <u>(79,358)</u>	\$ <u>191,670</u>
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Town of Richwood



BASIC FINANCIAL STATEMENTS:
FUND FINANCIAL STATEMENTS (FFS)

TOWN OF RICHWOOD

GOVERNMENTAL FUNDS
Balance Sheet
June 30, 2007

	GENERAL	SUMMER FEEDING	MAINTENANCE
ASSETS			
Cash and cash equivalents	\$ 168,338	\$ 0	\$ 7,203
Receivables	42,512	0	2,550
Interfund receivables	<u>23,540</u>	<u>0</u>	<u>0</u>
TOTAL ASSETS	<u>234,390</u>	<u>0</u>	<u>9,753</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts, salaries and other payables	96,624	0	21,772
Interfund payables	<u>0</u>	<u>18,389</u>	<u>0</u>
TOTAL LIABILITIES	96,624	18,389	21,772
FUND BALANCES:			
Unreserved and undesignated	<u>137,766</u>	<u>(18,389)</u>	<u>(12,019)</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 234,390</u>	<u>\$ 0</u>	<u>\$ 9,753</u>

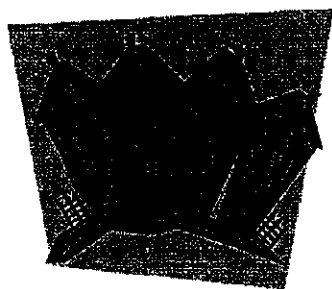
THE NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

Statement C

OTHER	
<u>GOVERNMENTAL</u>	<u>TOTAL</u>
\$ 25,346	\$ 200,887
0	45,062
<u>0</u>	<u>23,540</u>
<u>25,346</u>	<u>269,489</u>

100	118,496
<u>2,499</u>	<u>20,888</u>
2,599	139,384
<u>22,747</u>	<u>130,105</u>
<u>\$ 25,346</u>	<u>\$ 269,489</u>

Town of Richwood



TOWN OF RICHWOOD

**Reconciliation of the Governmental Funds
Balance Sheet to the Statement of Net Assets
June 30, 2007**

Statement D

Total fund balances - governmental funds	\$	130,105
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The cost of capital assets (land, buildings, furniture and equipment and infrastructure) purchased or constructed is reported as an expenditure in governmental funds. The Statement of Net Assets includes those capital assets among the assets of the Town as a whole. The cost of those capital assets is allocated over their estimated useful lives (as depreciation expense) to the various programs reported as governmental activities in the Statement of Activities. Because depreciation expense does not affect financial resources, it is not reported in governmental funds.

Costs of capital assets	\$	431,889	
Depreciation expense to date		<u>(157,066)</u>	
			274,823

Long-term liabilities applicable to the Town's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities - both current and long term - are reported in the Statement of Net Assets.

Balances at June 30, 2007 are:

Long-term liabilities			
Bonds payable		<u>(130,000)</u>	(130,000)
Current liabilities			
Interest payable		<u>(3,900)</u>	<u>(3,900)</u>
Net Assets			\$ 271,028

THE NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

TOWN OF RICHWOOD
GOVERNMENTAL FUNDS
Combined Statement of Revenues, Expenditures,
and Changes In Fund Balances
For the Year Ended June 30, 2007

	<u>GENERAL</u>	<u>SUMMER FEEDING</u>	<u>MAINTENANCE</u>
REVENUES			
Local sources:			
Sales taxes	\$ 183,135	\$ 0	\$ 0
Property taxes	61,241	0	0
Beer Tax	8,171	0	0
Franchise taxes	57,350	0	0
Charitable gaming funds	519,256	0	0
Licenses and permits	68,228	0	0
Garbage and other fees	122,708	0	0
Intergovernmental revenues	27,170	0	118,824
Fines and forfeitures	69,163	0	0
Miscellaneous revenues	20,495	0	1,046
	<u>1,136,917</u>	<u>0</u>	<u>119,870</u>
Total revenues			
	<u>1,136,917</u>	<u>0</u>	<u>119,870</u>
EXPENDITURES			
Current:			
General and administrative	524,514	0	57,632
Police Department	386,640	0	0
Health and welfare	0	14,347	0
Debt service:			
Principal retirement	32,489	0	0
Interest and bank charges	14,005	0	0
Capital outlay	30,319	0	59,401
	<u>987,967</u>	<u>14,347</u>	<u>117,033</u>
Total expenditures			
	<u>987,967</u>	<u>14,347</u>	<u>117,033</u>
EXCESS (Deficiency) OF REVENUES OVER EXPENDITURES	<u>148,950</u>	<u>(14,347)</u>	<u>2,837</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	119,594	5,350	33,244
Transfers out	(8,875)	0	(25,546)
	<u>110,719</u>	<u>5,350</u>	<u>7,698</u>
Total Other Financing Sources (Uses)			
	<u>\$ 110,719</u>	<u>\$ 5,350</u>	<u>\$ 7,698</u>

Statement E

OTHER		
GOVERNMENTAL		TOTAL
\$	0	\$ 183,135
	0	61,241
	0	8,171
	0	57,350
	57,690	576,946
	0	68,228
	0	122,708
	71,148	217,142
	0	69,163
	3,572	25,113
	<u>132,410</u>	<u>1,389,197</u>
	78,252	660,398
	0	386,640
	96	14,443
	0	32,489
	0	14,005
	0	89,720
	<u>78,348</u>	<u>1,197,695</u>
	<u>54,062</u>	<u>191,502</u>
	3,525	161,713
	<u>(33,244)</u>	<u>(67,665)</u>
\$	<u>(29,719)</u>	<u>\$ 94,048</u>

(Continued)

TOWN OF RICHWOOD

GOVERNMENTAL FUNDS
Combined Statement of Revenues, Expenditures,
and Changes in Fund Balances
For the Year Ended June 30, 2007

	<u>GENERAL</u>	<u>SUMMER FEEDING</u>	<u>MAINTENANCE</u>
NET CHANGE IN FUND BALANCES	\$ <u>259,669</u>	\$ <u>(8,997)</u>	\$ <u>10,535</u>
FUND BALANCES - BEGINNING	<u>(121,903)</u>	<u>(9,392)</u>	<u>(22,554)</u>
FUND BALANCES - ENDING	\$ <u>137,766</u>	\$ <u>(18,389)</u>	\$ <u>(12,019)</u>

THE NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

Statement E	
OTHER GOVERNMENTAL	TOTAL
\$ 24,343	285,550
(1,596)	(155,445)
\$ 22,747	\$ 130,105

(Concluded)

TOWN OF RICHWOOD

**Reconciliation of the Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances
to the Statement of Activities
For the Year Ended June 30, 2007**

Statement F

Total net change in fund balances - governmental funds	\$	285,550
--	----	---------

Amounts reported for governmental activities in the Statement of Activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeds capital outlays in the period:

Capital outlays	89,720	
Depreciation	<u>(31,372)</u>	
		58,348

Repayment of bonds and capital leases is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.

Bonds	20,000	
Capital leases	<u>12,489</u>	
		32,489

Loss on sale of asset		(571)
-----------------------	--	-------

Interest on long-term debt in the Statement of Activities differs from the amount reported in governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.

(3,900)

Change in net assets of governmental activities.	\$	<u>371,916</u>
--	----	----------------

THE NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

TOWN OF RICHWOOD
GENERAL FUND
Budgetary Comparison Schedule
For the Year Ended June 30, 2007

Statement G

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
BUDGETARY FUND BALANCES, Beginning	\$ (130,441)	\$ (121,903)	\$ (121,903)	0
Resources (Inflows)				
Local sources:				
Video bingo	200,000	650,000	519,256	(130,744)
Sales Tax	175,000	165,000	183,135	18,135
Property Tax	52,000	60,000	61,241	1,241
Beer Tax	0	0	8,171	8,171
Franchise taxes	60,000	25,000	57,350	32,350
Licenses and permits	65,000	65,000	68,228	3,228
Sewer, garbage, and other fees	277,000	196,000	122,708	(73,292)
Intergovernmental revenues	0	0	27,170	27,170
Fines and forfeitures	110,000	68,000	69,163	1,163
Miscellaneous revenues	20,000	4,000	20,495	16,495
Transfers from other funds	210,000	0	119,594	119,594
Amounts available for appropriations	<u>1,038,559</u>	<u>1,111,097</u>	<u>1,134,608</u>	<u>23,511</u>
Charges to appropriations (outflows)				
Current:				
General and administrative	586,000	566,500	524,514	41,986
Police Department	350,000	350,000	386,640	(36,640)
Debt service:				
Principal retirement	0	0	32,489	(32,489)
Interest and bank charges	0	0	14,005	(14,005)
Capital Outlay	0	0	30,319	(30,319)
Transfers	0	0	8,875	(8,875)
Total charges to appropriations	<u>936,000</u>	<u>916,500</u>	<u>996,842</u>	<u>(80,342)</u>
BUDGETARY FUND BALANCES, ENDING	<u>\$ 102,559</u>	<u>\$ 194,597</u>	<u>\$ 137,766</u>	<u>\$ (56,831)</u>

THE NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

TOWN OF RICHWOOD
PROPRIETARY FUND - SEWER ENTERPRISE FUND
Statement of Net Assets
June 30, 2007

Statement H

ASSETS

Current Assets:

Cash	\$ 1,214
Receivables	<u>23,479</u>
Total Current Assets	<u>24,693</u>

Non Current Assets:

Capital assets, net	<u>712,170</u>
Total Noncurrent Assets	<u>712,170</u>

TOTAL ASSETS	<u>736,863</u>
---------------------	-----------------------

LIABILITIES

Current Liabilities:

Accounts, salaries and other payables	613,474
Interfund payables	2,652
Interest payable	5,949
Bonds payable	<u>18,226</u>
Total Current Liabilities	640,301

Noncurrent Liabilities

Bonds payable	<u>175,920</u>
---------------	----------------

TOTAL LIABILITIES	<u>816,221</u>
--------------------------	-----------------------

NET ASSETS

Invested in capital assets, net of related debt	518,024
Unrestricted	<u>(597,382)</u>

TOTAL NET ASSETS	<u>\$ (79,358)</u>
-------------------------	---------------------------

THE NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

TOWN OF RICHWOOD
PROPRIETARY FUND - SEWER ENTERPRISE FUND
Statement of Revenues, Expenses,
and Changes in Net Assets
For the Year Ended June 30, 2007

Statement I

OPERATING REVENUES	
Fees	\$ 177,891
Miscellaneous	<u>55,000</u>
TOTAL OPERATING REVENUES	<u>232,891</u>
OPERATING EXPENSES	
Purchase of services	209,393
Depreciation	<u>36,739</u>
TOTAL OPERATING EXPENSES	<u>246,132</u>
Income (loss) before non-operating income (expenses)	(13,241)
NON-OPERATING INCOME (EXPENSES)	
Interest expense	<u>(19,083)</u>
INCOME (LOSS) BEFORE TRANSFERS	<u>(32,324)</u>
TRANSFERS IN/OUT	
Transfers out	<u>(94,048)</u>
Total transfers in/out	<u>(94,048)</u>
CHANGE IN NET ASSETS	(126,372)
NET ASSETS, BEGINNING	<u>47,014</u>
NET ASSETS, ENDING	<u>\$ (79,358)</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

TOWN OF RICHWOOD
PROPRIETARY FUND - SEWER ENTERPRISE FUND
Statement of Cash Flows
For the Year Ended June 30, 2007

Statement J

CASH FLOW FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 169,113
Payments to suppliers of goods and services	(98,942)
Other receipts	<u>60,058</u>
Net cash provided (used) for operating activities	<u>130,229</u>
CASH FLOW (USES) FROM NONCAPITAL FINANCING ACTIVITIES:	
Transfers out	<u>(94,048)</u>
Net cash provided (used) for noncapital financing activities	<u>(94,048)</u>
CASH FLOW (USES) FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Interest paid on bonds	(19,083)
Principal paid on bonds	<u>(17,098)</u>
Net cash provided (used) for capital and related financing activities	<u>(36,181)</u>
Net increase (decrease) in cash and cash equivalents	0
CASH AND CASH EQUIVALENTS - BEGINNING	<u>1,214</u>
CASH AND CASH EQUIVALENTS - ENDING	<u>\$ 1,214</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ (13,241)
Adjustments to reconcile operating income to net cash provided (used) for operating activities:	
Depreciation	36,739
(Increase) decrease in accounts receivable	(8,778)
(Increase) decrease in interfund receivables	9,937
Increase (decrease) in interest payable	5,949
Increase (decrease) in accounts payable	104,502
Increase (decrease) in interfund payables	<u>(4,879)</u>
Net cash provided (used) by operating activities	<u>\$ 130,229</u>

THE NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

Town of Richwood
Notes to the Basic Financial Statements

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Town of Richwood
Notes to the Basic Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES The accompanying financial statements of the Town of Richwood have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

A. REPORTING ENTITY The Town of Richwood, Louisiana is located in the southern portion of Ouachita Parish in Northeast Louisiana. The Town was incorporated December 31, 1974 under the provisions of Louisiana Revised Statutes 33:52. The Town operates under a form of government consisting of an elected mayor and a board of alder persons, which has five elected members. The Town provides garbage collection, street maintenance, drainage maintenance, and other health and welfare services, in addition to the administrative services provided to its residents.

As the municipal governing authority, for reporting purposes, the Town of Richwood is considered a separate financial reporting entity. The financial reporting entity consists of (a) the primary government (municipality), (b) organizations for which the primary government is financially accountable and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Governmental Accounting Standards Board (GASB) Statement No. 14 established criteria for determining which component units should be considered part of the Town of Richwood for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. This criterion includes:

1. Appointing a voting majority of an organization's governing body, and
 - a. The ability of the municipality to impose its will on that organization and/or
 - b. The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the Town.
2. Organizations for which the Town does not appoint a voting majority but are fiscally dependent on the Town.
3. Organizations for which the reporting entity financial statements would be misleading if data of the organization were not included because of the nature or significance of the relationship.

As required by generally accepted accounting principles, these financial statements present the Town of Richwood (the primary government). The Town of Richwood has no component units.

Considered in the determination of component units of the reporting entity were the Ouachita Parish Police Jury, Sheriff, Clerk of Court, Assessor, and School Board and the District Attorney and Judges for Ouachita Parish. It was determined that these governmental entities are not component units of the Town of Richwood's reporting entity because they have separately elected governing bodies, are legally separate, and are fiscally independent of the Town of Richwood.

B. FUNDS The Town uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain government functions or activities.

Town of Richwood
Notes to the Basic Financial Statements

A fund is a separate accounting entity with a self-balancing set of accounts. The funds used by the Town of Richwood are grouped into two broad fund types and three generic funds as follows:

Governmental Funds are used to account for the program and activities of the governmental functions of the Town.

General fund – serves as the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund.

Summer Feeding – accounts for the operations of providing breakfast and lunch to lower income children during the summer months. Financing is provided by a federal grant.

Maintenance – accounts for repairs and maintenance of tractors, police cars, and equipment.

Proprietary Funds - are used to account for ongoing organizations and activities that are similar to those found in the private sector.

Enterprise funds – are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that costs (expenses, including amortization and depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The proprietary fund of the Town is the sewer fund which accounts for the operations of the sewage system.

Activities accounted for in the Town's proprietary fund follow all applicable GASB pronouncements as well as applicable Financial Accounting Standards Board pronouncements issued on or before November 30, 1989.

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Government-Wide Financial Statements (GWFS) The Statement of Net Assets and the Statement of Activities displays information about the reporting government as a whole. Fiduciary funds are not included in the GWFS. Fiduciary funds are reported only in the Statement of Fiduciary Net Assets at the fund financial statement level.

The Statement of Net Assets and the Statement of Activities was prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement No. 33 "Accounting and Financial Reporting for Nonexchange Transactions." When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, it is the town's policy to first apply restricted resources.

Program revenues Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Allocation of indirect expenses The Town reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. Depreciation expense is specifically identified by function and is included in the direct expense of each function. Interest on general long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

Town of Richwood
Notes to the Basic Financial Statements

Fund Financial Statements (FFS)

Governmental Funds The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The government considers all revenues available if they are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred, except for unmatured principal and interest on general long-term debt which is recognized when due. Compensated absences and claims and judgments are reported in a governmental fund only if the claims are due and payable.

With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets. The governmental funds use the following practices in recording revenues and expenditures:

Revenues

Ad valorem taxes are recognized when all applicable eligibility requirements are met and the resources are available.

Sales taxes are recognized when the underlying exchange transaction occurs and the resources are available.

Entitlements and shared revenues are recorded as unrestricted grants-in-aid at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met and the susceptible to accrual criteria have been met.

Other receipts become measurable and available when cash is received by the Town and are recognized as revenue at that time.

Expenditures

Salaries are recorded as paid.

Other Financing Sources (Uses) Transfers between funds that are not expected to be repaid (or any other types, such as capital lease transactions, sale of fixed assets, debt extinguishments, long-term debt proceeds, et cetera) are accounted for as other financing sources (uses). These other financing sources (uses) are recognized at the time the underlying events occur.

Operating Revenues and Expenses Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Town of Richwood
Notes to the Basic Financial Statements

D. BUDGET The Town adopted a budget for the fiscal year ended June 30, 2007 for the general fund. The Town follows the following procedures in establishing the budgetary data reflected in the financial statements. During the June meeting, the Town Clerk submits to the Board of Aldermen a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them. During the June meeting, the budget is legally enacted through passage of an ordinance. The public is invited to attend all meetings. The Town Clerk is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures or expenses of any fund must be approved by the Board of Aldermen. Appropriations lapse at the end of the year. There was one amendment to the original budget.

E. ENCUMBRANCES Accounting under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Town of Richwood.

F. CASH AND CASH EQUIVALENTS Cash includes amounts in demand deposits, interest bearing demand deposits and time deposits. Cash equivalents include amounts in time deposits and those investments with original maturities of 90 days or less. Under state law, the Town may deposit funds in demand deposits, interest-bearing demand deposits, or time deposit accounts with state banks organized under Louisiana law and any other of the United States of America, or under the laws of the United States of America.

Under state law, the Town may also invest in U. S. Government bonds, treasury notes, or certificates. Those with maturities of 90 days or less would be classified as cash equivalents and all others reported as investments.

G. SHORT-TERM INTERFUND RECEIVABLES/PAYABLES During the course of operations, numerous transactions occur between individual funds for services rendered. These receivables and payables are classified as due from other funds or due to other funds on the fund financial statements balance sheet. Short-term interfund loans are classified as interfund receivables/payables.

H. ELIMINATION AND RECLASSIFICATIONS In the process of aggregating data for the statement of net assets and the statement of activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

I. SALES TAX The Town was authorized in 1986 to levy a 2 percent sales base tax for the purpose of providing funds for any lawful corporate purpose.

J. CAPITAL ASSETS Capital assets are recorded at either historical cost or estimated historical cost and depreciated over their estimated useful lives (excluding salvage value). Donated capital assets are recorded at their estimated fair value at the date of donation. The capitalization threshold for equipment is \$500. Estimated useful life is management's estimate of how long the asset is expected to meet service demands. Straight line depreciation is used based on the following estimated useful lives:

Buildings	20 years
Computers and computer equipment	5 years
Furniture and equipment	10 years
Vehicles	7 years

Town of Richwood
Notes to the Basic Financial Statements

K. COMPENSATED ABSENCES Accumulated vacation, sick pay and other employee benefits and pensions are not material and therefore not accrued.

L. RESTRICTED NET ASSETS For the government-wide statement of net assets, net assets are reported as restricted when constraints placed on net asset use are either:

Externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments;

Imposed by law through constitutional provisions or enabling legislation.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, the unrestricted resources as they are needed.

M. FUND BALANCES OF FUND FINANCIAL STATEMENTS Reservations of fund balance represent amounts that are not appropriable for expenditures or legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

N. INTERFUND ACTIVITY Quasi-external transactions are accounted for as revenues, expenditures, or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/ expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers of the primary government are reported as operating transfers.

Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statement.

O. USE OF ESTIMATES The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statement and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Town of Richwood
Notes to the Basic Financial Statements

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Deficit Fund Balances The following funds had deficit fund balances at June 30, 2007:

	<u>Deficit</u>
Major Funds	
Summer Feeding	\$18,389
Maintenance	12,019
Non Major Funds	
LCDGB	1,766
Project RAP	100
Enterprise-Sewer	79,358

The Town is working on a plan to address these deficits.

The General Fund's actual expenditures exceeded budgeted expenditures by \$105,516.

NOTE 3 - BUDGET TO GAAP RECONCILIATION

Sources/inflows of resources:

	<u>General</u>
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule-Statement G	\$1,134,608
The fund balance at the beginning of the year is a budgetary resource but is not a current-year revenue for financial reporting purposes.	121,903
Transfers from other funds and proceeds from capital leases are inflows of budgetary resources but are not revenues for financial reporting purposes	<u>(119,594)</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds-Statement E	<u>\$1,136,917</u>

Charges to appropriations/outflows

Actual amounts (budgetary basis) "charges to appropriations" from the budgetary comparison schedule-Statement G	\$ 996,842
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	<u>(8,875)</u>
Total expenditures as reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds-Statement E	<u>\$ 987,967</u>

Special revenue funds, which includes Summer Feeding, Maintenance, Share Grant, LCDGB, and Project Rap are not legally required to adopt a budget unless, as stated in Louisiana Revised Statute 39:1303, proposed expenditures exceed five hundred thousand dollars.

Town of Richwood
Notes to the Basic Financial Statements

NOTE 4 – CASH AND CASH EQUIVALENTS At June 30, 2007, the Town had deposits of \$202,101.

Interest Rate Risk: The Town's policy does not address interest rate risk.

Credit Risk: The Town's policy does not address credit rate risk.

Custodial Credit-Deposits: At year end, The Town's carrying amount of deposits was \$202,101. In the case of deposits, this is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. As of June 30, 2007, the Town's bank balance was \$223,941 of which \$100,000 was covered by federal depository insurance or by collateral held by the Town's agent in the Town's name (GASB Category 1). The remaining \$123,941 of the bank balance was exposed to custodial credit risk because it was uninsured and collateralized with security held by the pledging financial institutions trust department or agent but not in the Town's name. Even though the pledge securities are considered uncollateralized (Category 3) under the provisions of GASB Statement 3, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the Town that the fiscal agent has failed to pay deposited funds upon request.

The Town's policy does not address custodial credit risk.

NOTE 5 - RECEIVABLES The following is a summary of receivables at June 30, 2007:

<u>Accounts & Accrued Receivables</u>	<u>General</u>	<u>Maintenance</u>	<u>Enterprise</u>	<u>Total</u>
Sales Tax	\$ 32,484	\$ -	\$ -	\$ 32,484
Franchise Fees	9,975	-	-	9,975
User Fees	-	-	23,479	23,479
Other	53	2,550	-	2,603
Total	<u>\$ 42,512</u>	<u>\$ 2,550</u>	<u>\$ 23,479</u>	<u>\$ 68,541</u>

NOTE 6 - INTERFUND RECEIVABLES/PAYABLES Interfund receivables and payables include the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Other Governmental	\$ 20,888
	Sewer Fund	2,652
Total		<u>\$ 23,540</u>

The interfund receivables/payables are to help cover expenditures until program and grant monies are received. These amounts are expected to be paid in full within one year.

Interfund transfers are normally transfers from the sewer fund to the general fund to cover operations of the general fund. The transfer from the capital improvements fund is due to the stipulations of the new video bingo program.

Town of Richwood
Notes to the Basic Financial Statements

<u>Transfers In</u>	<u>Transfers Out</u>	
General	Maintenance	\$ 25,546
	Enterprise-Sewer	94,048
Summer Feeding	General Fund	5,350
Maintenance	Capital Improvements	33,244
Other Governmental	General Fund	3,525
Totals		<u>\$ 161,713</u>

NOTE 7 - CAPITAL ASSETS A schedule of changes in capital assets for the year ended June 30, 2007, follows:

	<u>Balance Beginning</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance Ending</u>
Governmental activities:				
Nondepreciable capital assets				
Land	\$ 95,000	\$ -	\$ -	\$ 95,000
Total nondepreciable capital assets	95,000	-	-	95,000
Exhaustible capital assets:				
Park Improvements	-	73,446	-	73,446
Buildings	59,200	-	-	59,200
Furniture & equipment	112,659	15,507	-	128,166
Vehicles	62,303	14,574	800	76,077
Total depreciable capital assets	234,162	103,527	800	336,889
Accumulated Depreciation:				
Buildings	-	2,960	-	2,960
Furniture & equipment	79,645	10,930	-	90,575
Vehicles	46,278	17,482	229	63,531
Total accumulated depreciation	125,923	31,372	229	157,066
Total capital assets being depreciated, net	108,239	72,155	571	179,823
Capital assets, net	<u>\$ 203,239</u>	<u>\$ 72,155</u>	<u>\$ 571</u>	<u>\$ 274,823</u>

The difference between the amount of additions in the note and the amount of capital outlay on Statement E is due to a prior year adjustment for three police vehicles not added in prior years.

Depreciation expense was charged to governmental activities as follows:

General and administrative	\$ 8,543
Police department	19,104
Maintenance department	<u>3,725</u>
Total	<u>\$31,372</u>

Town of Richwood
Notes to the Basic Financial Statements

	Balance Beginning	Additions	Deletions	Balance Ending
Business Type Activities:				
Cost				
Exhaustible capital assets				
Furniture & equipment				
(Sewer System)	\$ 1,469,547	\$ -	\$ -	\$ 1,469,547
	<u>1,469,547</u>	<u>-</u>	<u>-</u>	<u>1,469,547</u>
Accumulated Depreciation				
Furniture & equipment				
(Sewer System)	720,638	36,739	-	757,377
	<u>720,638</u>	<u>36,739</u>	<u>-</u>	<u>757,377</u>
Capital assets, net	\$ 748,909	\$ (36,739)	\$ -	\$ 712,170

NOTE 8 - ACCOUNTS, SALARIES, AND OTHER PAYABLES The payables at June 30, 2007, are as follows:

	General	Maintenance	Other Governmental	Enterprise	Total
Accounts Payable	\$ 10,068	\$ 21,772	\$ -	\$ 613,474	\$645,314
Payroll Liabilities	86,556	-	100	-	86,656
Total	<u>\$ 96,624</u>	<u>\$ 21,772</u>	<u>\$ 100</u>	<u>\$ 613,474</u>	<u>\$731,970</u>

NOTE 9 - LONG-TERM LIABILITIES The following is a summary of the long-term obligation transactions for the year ended June 30, 2007:

	Beginning Balance	Additions	Deletions	Ending Balance	Amounts Due Within One year
Governmental Activities					
Capital leases	\$ 12,489	\$ -	\$ 12,489	\$ -	\$ -
Certificate of Indebtedness	150,000	-	20,000	130,000	15,000
Total Governmental activities	<u>162,489</u>	<u>-</u>	<u>32,489</u>	<u>130,000</u>	<u>15,000</u>
Business-type activities					
Bonds payable	211,244	-	17,098	194,146	18,226
Total business-type activities	<u>211,244</u>	<u>-</u>	<u>17,098</u>	<u>194,146</u>	<u>18,226</u>
Total long-term liabilities	<u>\$ 373,733</u>	<u>\$ -</u>	<u>\$ 49,587</u>	<u>\$ 324,146</u>	<u>\$ 33,226</u>

Town of Richwood
Notes to the Basic Financial Statements

The individual issues are as follows:

<u>Bond Issue</u>	<u>Issue Date</u>	<u>Original Issue</u>	<u>Interest Rate</u>	<u>Final Payment Due</u>	<u>Interest to Maturity</u>	<u>Principal Outstanding</u>
Town of Richwood Sewer Revenue Bond Certificate of Indebtedness, Series 2005	08/07/2000	\$290,000	6.40%	10/01/2015	\$63,359	\$194,146
	07/01/2005	\$150,000	6.00%	06/01/2015	\$36,900	\$130,000

In July, 2005, the Town issued Certificate of Indebtedness, Series 2005 in the amount of \$150,000 for the sole purpose of extinguishing a debt with the Internal Revenue Service for prior year payroll liabilities. The Certificate of Indebtedness are paid by the General Fund, while the sewer revenue bonds are paid by the Enterprise Fund-Sewer.

The annual requirements to amortize all bonds outstanding at June 30, 2007 are as follows:

<u>Year</u>	<u>Governmental Funds</u>			<u>Enterprise Fund</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 15,000	\$ 7,800	\$ 22,800	\$ 18,226	\$ 11,899	\$ 30,125
2009	15,000	6,900	21,900	19,427	10,697	30,124
2010	15,000	6,000	21,000	20,727	9,397	30,124
2011	15,000	5,100	20,100	22,072	8,052	30,124
2012	15,000	4,200	19,200	23,527	6,597	30,124
2013-2015	55,000	6,900	61,900	90,167	16,717	106,884
Total	\$ 130,000	\$ 36,900	\$ 166,900	\$ 194,146	\$ 63,359	\$ 257,505

The Town records items under capital leases as an asset and an obligation in the accompanying financial statements. The balance of debt owed on the following capital lease of \$12,489 was extinguished during 2007:

<u>Type</u>	<u>Lease Date</u>	<u>Amount</u>
2001 Ford Crown Victoria	June 18, 2001	\$25,126

The Town had no new capital or operating leases at June 30, 2007.

NOTE 10 - LITIGATION AND CLAIMS The Town of Richwood is involved in litigation at June 30, 2007.

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time though the Town expects such amounts, if any, to be immaterial.

The Town owes \$86,556 to the Department of Labor and is included in the financial statements of the General Fund. The amount owed consists of payroll related taxes owed from prior years by the Town. Also, the Town owes the City of Monroe \$613,474 from the Sewer Fund for prior year services.

NOTE 11 - RISK MANAGEMENT The Town is exposed to various risks of loss relating to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties.

**Town of Richwood
Notes to the Basic Financial Statements**

NOTE 12 - LEVIED TAXES The Town levies taxes on real and business personal property located within the Town's boundaries. Property taxes are levied by the Town on property values assessed by the Ouachita Parish Tax Assessor and approved by the State of Louisiana Tax Commission.

Property Tax Calendar

Millage rates adopted	September 21, 2006
Levy date	January 1, 2006
Tax bills mailed	November, 2006
Due date	December 31, 2006
Lien date	January 1, 2007

Assessed values are established by the Ouachita Parish Tax Assessor each year on a uniform basis at the following ratios of assessed value to fair market value.

10% land	15% machinery
10% residential improvements	15% commercial improvements
15% industrial improvements	25% public service properties, excluding land

A revaluation of all property is required after 1978 to be completed no less than every four years. The last revaluation was completed for the roll of January 1, 2005. Total taxable value was \$3,837,796 in calendar year 2006.

State law requires the Town to collect property taxes in the calendar year in which the assessment is made. Property taxes become delinquent January 1 of the following year. If taxes are not paid by the due date, taxes bear interest at the rate of 1.00% per month until the taxes are paid.

The calendar-year tax roll is prepared by the tax assessor and approved by the State Tax Commission in November of each year. The amount of property taxes to be collected occurs in December, 2006 and January and February 2007. All property taxes are recorded in the general fund. The Town considers the date penalty and interest accrues (January 1, 2007) as the date an enforceable legal claim occurs for property taxes. Property tax revenue is recognized in the period for which the taxes are levied (budgeted). Accordingly, the property taxes for calendar year 2006 are budgeted in the 2006-2007 fiscal year of the Town.

Estimated uncollectible taxes are those taxes based on past experience which will not be collected in the subsequent year and are primarily due to subsequent adjustments to the tax roll. Historically, virtually all ad valorem taxes receivable were collected since they are secured by property. Therefore, there is no allowance for uncollectible taxes.

NOTE 13 - ON-BEHALF PAYMENTS FOR FRINGE BENEFITS AND SALARIES On-behalf payments for fringe benefits and salaries are direct payments made by an entity, (the paying agent) to a third-party recipient for the employees of another legally separate entity. (the employer entity). GASB Statement No. 24 requires employer governments to recognize revenue and expenditures or expenses for these on-behalf payments.

The State of Louisiana made contributions (regarding Supplemental Pay for Police Officers) directly to employees of the Town of Richwood on behalf of the Town in the amount of \$20,820. This amount was recognized as state revenue with a corresponding expenditure in the applicable fund from which the salary was paid.

NOTE 14 - PRIOR PERIOD ADJUSTMENT A prior period adjustment was made affecting Statement A and Statement B of the Government-wide financial statements for three police vehicles purchased/donated in prior years in the amount of \$13,807 which had not been recorded by the Town in previous years.

Town of Richwood
Notes to the Basic Financial Statements

NOTE 15 - ECONOMIC DEPENDENCY Statement of Financial Accounting Standard (SFAS) No. 14 requires disclosure in financial statements of a situation where one entity provides more than 10% of the audited entity's revenues. The charitable gaming revenue the Town receives is paid by the Crescent City Bingo who operates the gaming establishments. Charitable gaming revenue for the current year was \$576,946 or 42% of the Town's current year revenues.

NOTE 16 - RELATED PARTY TRANSACTIONS The Mayor was paid \$13,966 in February 2007 for reimbursement of \$3,968 paid by the Mayor to Ouachita Parish Police Jury on September 9, 1998 and \$9,998 paid to the Internal Revenue Service between April 2003 and June 2006. The reimbursement to the Mayor was approved by the Council.

NOTE 17 - SUBSEQUENT EVENTS In August, 2007 the Town Council approved a contract with United Health Care to provide health insurance to its employees.

**Town of Richwood
Non Major Funds**

Share Grant – The Share Grant Program accounts for funds received through the Louisiana Housing Finance Agency which provides aid to low income families to bring residents houses up to housing quality standard (HQS).

LCDBG – The LCDBG Fund is designed to assist and improve housing conditions for citizens of Richwood who would otherwise be financially unable to secure their own sources of funding to remodel or build a new house. The program also assists in the effort of the Town of Richwood to stabilize and revitalize the area. Financing is provided by a grant from the United States Department of Housing and Urban Development through the Louisiana Division of Administration.

Project RAP – This is a TANF Program for teen pregnancy prevention.

Capital Project – This fund is used to account for charitable gaming funds set aside for capital improvements.

TOWN OF RICHWOOD
NONMAJOR FUNDS
Combining Balance Sheet
June 30, 2007

	<u>*****SPECIAL REVENUE*****</u>			<u>CAPITAL</u>	Schedule 1
	<u>SHARE</u>		<u>PROJECT</u>	<u>PROJECT</u>	
	<u>GRANT</u>	<u>LCDBG</u>	<u>RAP</u>	<u>CAPITAL</u>	
				<u>IMPROVEMENT</u>	<u>TOTALS</u>
ASSETS					
Cash and cash equivalents	\$ 167	\$ 733	\$ 0	\$ 24,446	\$ 25,346
TOTAL ASSETS	<u>167</u>	<u>733</u>	<u>0</u>	<u>24,446</u>	<u>25,346</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts, salaries and other payables	0	0	100	0	100
Interfund payables	<u>0</u>	<u>2,499</u>	<u>0</u>	<u>0</u>	<u>2,499</u>
Total liabilities	<u>0</u>	<u>2,499</u>	<u>100</u>	<u>0</u>	<u>2,599</u>
Fund Balances (Deficit)					
Unreserved and undesignated	<u>167</u>	<u>(1,766)</u>	<u>(100)</u>	<u>24,446</u>	<u>22,747</u>
Total Fund Balances	<u>167</u>	<u>(1,766)</u>	<u>(100)</u>	<u>24,446</u>	<u>22,747</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 167</u>	<u>\$ 733</u>	<u>\$ 0</u>	<u>\$ 24,446</u>	<u>\$ 25,346</u>

TOWN OF RICHWOOD

NONMAJOR FUNDS
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances (Deficit)
For the Year Ended June 30, 2007

	<u>SPECIAL REVENUE</u>			<u>CAPITAL</u>	Schedule 2
	<u>SHARE</u>		<u>PROJECT</u>	<u>PROJECT</u>	
	<u>GRANT</u>	<u>LCDBG</u>	<u>RAP</u>	<u>CAPITAL</u>	<u>TOTALS</u>
				<u>IMPROVEMENT</u>	
REVENUES					
Local sources:					
Charitable gaming funds	\$ 0	\$ 0	\$ 0	\$ 57,690	\$ 57,690
Intergovernmental revenues	0	0	71,148	0	71,148
Miscellaneous revenues	0	0	3,572	0	3,572
Total revenues	0	0	74,720	57,690	132,410
EXPENDITURES					
Current:					
General and administrative	0	0	78,252	0	78,252
Health and welfare	96	0	0	0	96
Total expenditures	96	0	78,252	0	78,348
EXCESS (Deficiency) OF					
REVENUES OVER					
EXPENDITURES	(96)	0	(3,532)	57,690	54,062
OTHER FINANCING SOURCES (USES)					
Transfers in	0	0	3,525	0	3,525
Transfers out	0	0	0	(33,244)	(33,244)
TOTAL OTHER FINANCING					
SOURCES (USES)	0	0	3,525	(33,244)	(29,719)
EXCESS (Deficiency) OF REVENUES					
AND OTHER SOURCES OVER					
EXPENDITURES AND OTHER USES	(96)	0	(7)	24,446	24,343
FUND BALANCES (Deficit)					
- BEGINNING	283	(1,766)	(93)	0	(1,596)
FUND BALANCES (Deficit)					
- ENDING	\$ 167	\$ (1,766)	\$ (100)	\$ 24,446	\$ 22,747

Town of Richwood

**Schedule of Compensation Paid Mayor and Aldermen
For the Year Ended June 30, 2007**

The schedule of compensation paid to the Mayor and Aldermen was prepared in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature. As authorized by Town ordinance, aldermen are paid \$775 per month for regular meetings and \$50 per each special meeting held. Also, the Mayor Pro-Tem is paid an extra \$50 per month and the Street Commissioner an extra \$25 per month.

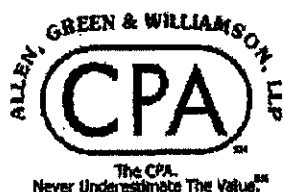
Edward L. Harris, Mayor	\$46,788
Steve B. Hunter, Mayor Pro-Temp	5,800
Simeon Profit, Street Commissioner	5,500
Lavern Hester, Alderman	5,150
Alvin Jackson, Alderman	5,150
Leo Kelly, Alderman	<u>5,150</u>
TOTAL	<u>\$73,538</u>

*The increase in aldermen's' pay became effective March, 2007

Town of Richwood

**OTHER REPORT REQUIRED BY
GOVERNMENT AUDITING STANDARDS**

The first report following this page is a report on compliance and on internal control over financial reporting based on an audit of basic financial statements performed in accordance with Government Auditing Standards, issued by the Comptroller General of the United States of America. The section of the report on compliance is based solely on the audit of the financial statements and presents, where applicable, compliance matters that would be material to the basic financial statements. The section of the report on internal control over financial reporting is, likewise, based solely on the audit of the basic financial statements and includes, where appropriate, any reportable conditions and/or material weaknesses.



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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

Honorable Edward L. Harris, Mayor
and Members of the Board of Aldermen
Town of Richwood
Richwood, Louisiana

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate fund information of the Town of Richwood, (the Town) as of and for the year ended June 30, 2007, which collectively comprise the Town's basic financial statements and have issued our report thereon dated October 30, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on effectiveness of the Town's internal control over financial reporting. According, we do not express an opinion on the effectiveness of the Town's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Town's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Town's financial statements that is more than inconsequential will not be prevented or detected by the Town's internal control. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as 07-F1 and 07-F4 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Town's internal control.

Our consideration of the internal control over financial reporting was for the limited purposes described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider item 07-F1 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as items 07-F2 and 07-F3.

Management Letter Items

We noted matters involving internal control over financial reporting, which we have reported to the management of the Town in a separate letter dated October 30, 2007.

The Town's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Town's responses and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Aldermen, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Although the intended use of these reports may be limited, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Allen, Green + Williamson, LLP

ALLEN, GREEN & WILLIAMSON, LLP

Monroe, Louisiana
October 30, 2007

**Town of Richwood
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2007**

PART II - Findings related to the financial statements which are required to be reported in accordance with Government Auditing Standards generally accepted in the United States of America:

Reference # and title: **07-E1** **Recording of Sewer Fees**

Entity-wide or program/department specific: This finding is entity-wide

Criteria or specific requirement: The agency should record activity in each fund in a timely manner so that financials reflect accurate information at any point in time.

Condition found: The Town out sources the collection of sewer fees. These fees are remitted to an attorney by the company and the attorney remits a portion of the fees to the Town and a portion to the City of Monroe to be applied to the Town's sewer bill. The attorney also pays the sewer collection fees to the company that is collecting the fees. The Richwood Correction Center receives a bill and remits \$5,000 monthly to the City of Monroe to be applied to their bill. These transactions are not recorded by the Town. The Town is presently recording only the net amount received from the attorney.

The Town is depositing these funds in the general fund and not in the sewer fund. An audit entry is made to record the sewer fees and sewer billing costs in the sewer fund and a transfer out to the general fund.

Possible asserted effect (cause and effect):

Cause: No procedures have been established for the Town to receive information from the attorney to record the receipts and disbursements. In the past the funds were deposited in the general fund because the money was needed for cash flow purposes.

Effect: Reporting for the sewer fund during the year is not accurate because all transactions are not included in the sewer fund. Audit entries are made to record these transactions at year end.

Recommendations to prevent future occurrences: Procedures should be established to ensure that the information needed to record monthly transactions is received on a timely basis. Sewer fees, sewer billing costs, and the accounts payable to the City of Monroe should be adjusted monthly to record the total sewer fees and costs and adjust the payable to reflect the payments made during the month. Sewer fees should be deposited in the sewer fund account and then a transfer of approved funds could be made to the general fund.

Reference # and title **07-F2** **Louisiana Local Government Budget Act**

Entity-wide or program/department specific: This finding is entity-wide.

Criteria or specific requirement: LSA-R.S. 39:1301-1314 states in part that chief executive or administrative officer is to advise the governing authority or independently elected official in writing when total actual expenditures exceed budgeted expenditures within a fund by five percent or more. The budget act also states a public hearing must be held before the adoption of the proposed budget.

Condition found: The General Fund actual expenditures exceeded budgeted expenditures by an amount in excess of five percent. The minutes of the special meeting held Friday, June 30, 2006 do not reflect that a public hearing was entered into, discussion held of any questions or comments, ending the public hearing and reconvening of the regular meeting.

**Town of Richwood
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2007**

PART II -Findings related to the financial statements which are required to be reported in accordance with Government Auditing Standards generally accepted in the United States of America:

Possible asserted effect (cause and effect):

Cause: The Town did not amend the General Fund budget when actual expenditures exceed budgeted amount. The Town's minutes do not reflect the holding of a public hearing before adopting the budget.

Effect: The Town may be in violation of LSA-R.S. 39:1311.

Recommendations to prevent future occurrences: The Town should monitor revenues and expenditures and amend budgets as needed. Also, the minutes to the meeting in which a public hearing is held should reflect that the public hearing was actually held.

Reference # and title **07-F3** **Controls Over Traffic Tickets in the Police Department**

Criteria or specific requirement: Good internal controls require records to be maintained to account for the issuance and final disposition of all traffic tickets.

Condition found: The following was noted from a test of 30 traffic tickets:

Two instances in which the ticket was marked "fixed" but no documentation as to who approved action or the reason for it being "fixed".

Three instances in which tickets were issued per ticket disbursement log but are not accounted for.

One instance in which the charge was dismissed but there is no supporting documentation as to who dismissed or the reason for it being dismissed.

Possible asserted effect (cause and effect):

Cause: Unknown

Effect: Traffic tickets are issued but not followed to final disposition. Tickets are being "fixed" or "dismissed" without documentation as to who is approving the action or the reason for the ticket being "fixed" or "dismissed".

Recommendations to prevent future occurrences: Record keeping in the Police Department should be improved to ensure that a final disposition is being taken on all issued traffic tickets. Appropriate documentation should be kept when a ticket is "fixed" or "dismissed" with the approving person's signature and also, the reason for the action.

Reference # and title: **07-F4** **Unrecorded Liabilities**

Criteria or specific requirement: All liabilities of the Town should be recorded to provide for accurate financial reporting.

Condition found: The Mayor was reimbursed \$13,966 in February 2007 for expenses which ranged from September 1998 through June 2006. This liability was not recorded on the books. This reimbursement consisted of \$3,968 which the Mayor paid from personal funds to Ouachita Parish Police Jury as a result of a citing in a report issued by the Legislative Auditor's Office dated June 19, 1998 in which the Legislative Auditor recommended that the

Town of Richwood
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2007

PART II -Findings related to the financial statements which are required to be reported in accordance with Government Auditing Standards generally accepted in the United States of America:

Louisiana Department of Labor take appropriate action including seeking restitution. The remaining \$9,998 was a reimbursement for payments made by the Mayor from personal funds on the Town's debt to the IRS for payroll tax liabilities. Neither of these liabilities was recorded on the books of the Town. Item V from the regular council meeting minutes of February 15, 2007 approved monthly expenditures to include owed funds to the Mayor. There was no detail in the minutes of the reasons or the amounts of the funds that were approved. Legal council for the Town has issued an opinion that the payment of these unrecorded liabilities is not prohibited.

Possible asserted effect (cause and effect):

Cause: There has been a changeover in personnel during the years and the current Fiscal Officer was not aware of the liability.

Effect: Liabilities in previous financial reports were understated.

Recommendations to prevent future occurrence: All liabilities of the Town should be recorded and documentation maintained in the Town's financial records to support that liability. Transactions with related parties should be well documented and supported by legal opinion, if necessary, before the liability is recorded. Council approval should include the specific details of the transaction including the amounts and purpose of the transaction particularly related party transactions.

Town of Richwood

Other Information

The information in the following section concerns management's actions or intentions concerning prior-and current-year audit finding. This information has been prepared by the management of the Town of Richwood. Management accepts full responsibility for the accuracy of the information. This information has not been audited by the auditors and accordingly no opinion is expressed.

Town of Richwood
Summary of Prior-Audit Findings
June 30, 2007

Reference # and title **06-F1** **Payroll Expenses**

Condition found: The following was noted from a test of 40 payroll disbursements:

Four personnel files did not contain an I-9.
Nine time cards/sheets were not signed by the employee.
Four salary calculations did not agree with documentation.

Corrective action taken: Procedures have been established to ensure the proper documentation is maintained in personnel files.

Reference # and title: **06-F2** **Vendor Expenses**

Condition found: The following was noted from a test of 33 vendor disbursements:

Six instances where expenditures were not supported by purchase orders.
Twelve instances where the date of the check was not current when compared with date of the invoice.
One instances where sales tax was paid.

Corrective action taken: Procedures have been established to ensure the proper documentation is maintained in vendor files.

Reference # and title **06-F3** **Late Submission of the Audit Report**

Condition found: The audit report was filed with the Legislative Auditor's office after the deadline.

Corrective action taken: The 2007 audit report was filed prior to the deadline with the Legislative Auditor's Office.

Reference # and title **06-F4** **Louisiana Local Government Budget Act**

Condition found: The Town advertised the public hearing on the proposed budget would be June 16, 2005, but the hearing was not actually held until June 23, 2005. Also, the General Fund's budgeted revenues exceeded actual revenues by an amount in excess of five percent.

Corrective action planned: See finding 07-F2.

Reference # and title **06-F5** **Controls Over Traffic Tickets in the Police Department**

Condition found: The following was noted from a test of 25 traffic tickets:

Nine traffic tickets could not be traced to a final disposition. A final disposition includes a payment, reduction, issuance of bench warrant, or arrest.

Corrective action planned: See finding 07-F3.

**Town of Richwood
Summary of Prior-Audit Findings
June 30, 2007**

Reference # and title **06-F6** **Bids on Food Purchases for Summer Feeding Program**

Condition found: Bids were not taken on purchase of food in the amount of \$23,334.

Corrective action taken: The Town did not sponsor a Summer Feeding Program in 2007. However, should we again sponsor such a program, the town will review R.S. 38:2211-2213 and follow accordingly.

Town of Richwood
Corrective Action Plan for Current Year Findings and Questioned Costs
June 30, 2007

Reference # and title: **07-F1** **Recording of Sewer Fees**

Condition found The agency should record activity in each fund in a timely manner so that financials reflect accurate information at any point in time. The Town outsources the collection of sewer fees. These fees are remitted to an attorney by the company and the attorney remits a portion of the fees to the Town and a portion to the City of Monroe to be applied to the Town's sewer bill. The Town is presently recording only the amount received from the attorney.

Corrective action planned: The Town entered into a trustee agreement in order to satisfy the City of Monroe in providing necessary water services and sewer treatment to the Town. In that, the Town receives its monies from sewer net of all expenditures including collection costs. The net funds were deposited in the General Fund due to the fact that the sewer fees were being transferred for the General Fund expenditures and the Town was not receiving the aggregate amounts. Now that the Town is solvent, sewer fees will now be deposited and immediately accounted for under enterprise accounting in the Sewer Fund.

Person responsible for corrective action:

Mayor Edward L. Harris	Phone: (318) 322-2104
Town of Richwood	Fax: (318) 323-3254
5130 Brown Road	
Richwood, LA 71202-7004	

Anticipated completion date: Immediately.

Reference # and title **07-F2** **Louisiana Local Government Budget Act**

Condition found: LSA-R.S. 39:1301-1314 states in part that chief executive or administrative officer is to advise the governing authority or independently elected official in writing when total actual expenditures exceed budgeted expenditures within a fund by five percent or more. The budget act also states a public hearing must be held before the adoption of the proposed budget. The General Fund actual expenditures exceeded budgeted expenditures by an amount in excess of five percent. The minutes of the special meeting held Friday, June 30, 2006 do not reflect that a public hearing was entered into, discussion held of any questions or comments, ending the public hearing and reconvening of the regular meeting.

Corrective action planned: Due to cash flow problems, the Town had found it difficult to adhere to budget monitoring and maintain accounts payable and payroll. Now the Town is no longer impeded by cash flow; the Town will monitor and adjust the budget accordingly in upcoming fiscal years. In addition, actions taken pertaining to General Fund budgeting will be reflective of timely public hearings as cited in the minutes.

Person responsible for corrective action:

Mayor Edward L. Harris	Phone: (318) 322-2104
Town of Richwood	Fax: (318) 323-3254
5130 Brown Road	
Richwood, LA 71202-7004	

Anticipated completion date: Immediately.

Town of Richwood
Corrective Action Plan for Current Year Findings and Questioned Costs
June 30, 2007

Reference # and title **07-F3** **Controls Over Traffic Tickets in the Police Department**

Condition found: Good internal controls require records to be maintained to account for the issuance and final disposition of all traffic tickets. The following was noted from a test of 30 traffic tickets:

Two instances in which the ticket was marked "fixed" but no documentation as to who approved action or the reason for it being "fixed".

Three instances in which tickets were issued per ticket disbursement log but are not accounted for.

One instance in which the charge was dismissed but there is no supporting documentation as to who dismissed or the reason for it being dismissed.

Corrective action planned: The Town has been in transition for a new administrator and chief. The Town has hired a new administrative person to be responsible for and oversee record keeping in the police department. In addition, new protocols are currently being put into place to further prevent the loss of appropriate documentation for final dispositions of tickets and warrants.

Person responsible for corrective action:

Mayor Edward L. Harris	Phone: (318) 322-2104
Town of Richwood	Fax: (318) 323-3254
5130 Brown Road	
Richwood, LA 71202-7004	

Anticipated completion date: Immediately

Reference # and title: **07-F4** **Unrecorded Liabilities**

Condition found: All liabilities of the Town should be recorded to provide for accurate financial reporting. The Mayor was reimbursed \$13,966 in February for expenses which ranges from September 1998 through June 2006. This liability was not recorded on the books. This reimbursement consisted of \$3,968 which the Mayor paid to Ouachita Parish Police Jury for a finding in a report issued by the Legislative Auditor's Office dated June 19, 1998 in which the Legislative Auditor recommended that the Louisiana Department of Labor take appropriate action including seeking restitution. The remaining \$9,998 was a reimbursement for payments made by the Mayor on the Town's debt to the IRS for payroll tax liabilities. Neither of these liabilities was recorded on the books of the Town. Item V from the regular meeting minutes of February 15, 2007 approved only the expenditures to include owed funds to the Mayor. There was not detail in the minutes of the reasons or the amounts of the funds that were approved.

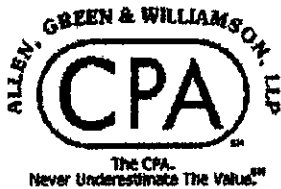
Corrective action planned: This is a one time incident in that the most fair thing to do was reimburse Mayor Harris and his wife for monies paid out their personal accounts on behalf of the Town of Richwood. In addition, although liabilities were understated in previous audits due to this liability not being a consideration until if and when the Town was able to pay it, the significance of the amount did not alter the financial assessment of the Town. Efforts are being pursued to uncover any existing liabilities that may be outstanding.

Town of Richwood
Corrective Action Plan for Current Year Findings and Questioned Costs
June 30, 2007

Person responsible for corrective action:

Mayor Edward L. Harris	Phone: (318) 322-2104
Town of Richwood	Fax: (318) 323-3254
5130 Brown Road	
Richwood, LA 71202-7004	

Anticipated completion date: Immediately



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(Retired) 1963 - 2000

Management Letter

Honorable Edward L. Harris, Mayor
and Members of the Board of Aldermen
Town of Richwood
Richwood, Louisiana

In planning and performing our audit of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Richwood, as of and for the year ended June 30, 2007, which collectively comprise the Town's basic financial statements, we considered the Town's internal control to plan our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control.

However, during our audit, we noted certain matters involving internal control and other operational matters that is presented for your consideration. This letter does not affect our report dated October 30, 2007 on the basic financial statements of the Town. We will review the status of these comments during our next audit engagement. Our comments and recommendations, which have been discussed with appropriate members of management, are intended to improve internal control or result in other operating efficiencies. We will be pleased to discuss these comments in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations. Our comments are summarized as follows:

07-M1 Non-interest Bearing Bank Accounts

Comment: All of the Town's bank accounts are non-interest bearing accounts.

Recommendation: The Town should consider examining ways of earning interest on monies in checking accounts now that the Town is receiving charitable gaming revenue (video bingo) which results in a larger balance being maintained in the General Fund bank account.

Management's response: The Town's administration decided that the utilization of interest-bearing instruments would be considered once the Town has addressed all of its outstanding large debts and accumulated an excess of \$200,000 in its day to day general fund liquidity account.

07-M2

Proper Reporting of Mayor's Car Allowance

Comment: IRS regulations require that all compensation paid an individual be reported on the individuals' W-2 for tax purposes. The Mayor receives a car allowance but it is not presently included on his W-2.

Recommendation: The car allowance should be reported on the Mayor's W-2.

Management's Response: The Town's hereafter will show the Mayor's car allowance on his W-2.

07-M3

Disbursements

Comment: All employees should have a completed I-9 in their personnel file. Documentation should also be kept for the employees pay rate in the file. In testing of payroll disbursements we noted four personnel files that did not have documentation of rate of pay and the I-9 was not fully completed.

Vendor disbursements should be paid timely and have adequate documentation. Several late payments were noted prior to the improvement in the Town's cash flow as a result of the charitable gaming revenue. We also noted one payment for which a purchase order was not attached to the invoice.

Recommendation: All personnel files should be reviewed to ensure there is a fully completed I-9 and documentation of rate of pay. Before filing all invoices should be checked to ensure the purchase order is attached.

Management's Response:

Payroll Expenses: This is a previous audit finding that was not disclosed until after the beginning of this fiscal year. This finding has been addressed and corrected, so it is no longer a finding.

Vendor Expenses: This is a previous audit finding. Legitimate and documented invoices are now being paid within 30 days of the invoice date. Due to electronic video bingo revenues, issues concerning timely payment of invoices have been addressed this fiscal year. The Town plans to change its purchase order policy to set threshold amount for purchases.

Also included are management's responses to our current-year management letter items. We have performed no audit work to verify the content of the responses.

Our audit procedures are designed primarily to enable us to form an opinion on the financial statements and, therefore, may not reveal all weaknesses in policies and procedures that may exist.

This report is intended solely for the information and use of the Board, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Although the intended use of these reports may be limited, under Louisiana Revised Statute 24:513 this report is distributed by the Office of the Louisiana Legislative Auditor as a public document.

Allen, Green + Williamson, LLP
ALLEN, GREEN & WILLIAMSON, LLP

Monroe, Louisiana
October 30, 2007